

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: April 8, 2002

SUBJECT: Fiscal Impact Statement: "Bonus Depreciation De-Coupling
from the Internal Revenue Code Emergency Act of 2002"

REFERENCE: Draft Legislation as Introduced - No Bill Number Available

Conclusion

The proposed legislation will prevent a decrease of local General Fund revenue. The potential loss of local General Fund revenue would be \$74 million over the life of the legislation if the proposed action is not implemented.

Background

The purpose of the proposed legislation is to prevent a new change in the Federal tax law from reducing the revenue of the District. The federal Economic Stimulus Act of 2002 increases first-year depreciation by an additional 30 percent for business assets acquired after September 10, 2001 and before September 11, 2004. The proposed legislation will amend D.C. Code Title 47 § 1803.03(a)(7) disallowing this increase in depreciation for District tax purposes.

Similar legislation is being considered by the State of Maryland and the Commonwealth of Virginia, as well as by other states including Wisconsin and Indiana.

Financial Plan Impact

The provisions of the proposed legislation will prevent a decrease of local General Fund revenue. The potential loss of local General Fund revenue would be \$74 million over the life of the legislation if the proposed action is not implemented. The loss is estimated to be \$27 million in FY 2002, \$24 million in FY2003 and \$23 million in FY 2004.